

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 FRB-01 TAR-01

XMB-04 L-03 H-02 CIAE-00 INR-07 NSAE-00 PA-02 PRS-01

USIA-15 /089 W

----- 074669

R 271300Z MAY 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5295

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

UNCLAS LIMA 4307

EO 11652: N/A

TAGS: ECON, EGEN

SUBJECT: ANDEAN PACT: SECTORAL PROGRAM NEGOTIATIONS

REF: (A) LIMA A-72, 4/1/74; (B) LIMA 4152, 5/20/75

1. TEN-DAY COMMISSION MEETING FINISHED THE MORNING OF
MAY 21 AFTER ALL-NIGHT SESSION. MEMBER COUNTRIES ARE
CLOSE TO AGREEMENT ON SECTORAL PROGRAM FOR PETROCHEMICAL
INDUSTRY. EXPERT GROUP WILL MEET MIDDLE OF JUNE TO
FINALIZE DETAILS, AND AGREEMENT IS EXPECTED TO BE SIGNED
DURING NEXT ORDINARY COMMISSION MEETING STARTING JUNE 23.

2. NEGOTIATIONS OF AUTOMOTIVE PROGRAM MUCH LESS SUCCESS-
FUL. AMONG OTHER OBSTACLES, COLOMBIA REQUESTED AN ADDI-
TIONAL ASSIGNMENT. THE WHOLE PROPOSAL CAME UNDER ATTACK
AND MORE EMPHASIS MAY NOW BE GIVEN TO ASSIGNMENT OF PARTS
AND COMPONENTS, RATHER THAN OF ASSEMBLED VEHICLES.
CONTRARY TO IMPRESSION GIVEN IN PRESS STATEMENT
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BY COMMMISSION PRESIDENT AFTER THE MEETING, A MODIFIED

JUNTA PROPOSAL HAS NOT IN FACT BEEN PRESENTED TO THE COMMISSION. THERE ARE CONFLICTING REPORTS REGARDING THE CURRENT STATUS OF THE PROPOSAL.

3. ON MAY 20 JUNTA PRESENTED A MODIFIED PETROCHEMICAL PROPOSAL TO THE COMMISSION. PRINCIPAL CHANGES FROM ORIGINAL PROPOSAL (SEE REFAIR A FOR SUMMARY OF LATTER) ARE THE FOLLOWING:

A. START-UP DEADLINE FOR ALLOCATED PLANTS IN DECEMBER 1982, INSTEAD OF DECEMBER 1980.

B. AN EXISTING RESTRICTION ALREADY PROHIBITS A PACT MEMBER COUNTRY FROM ACCEPTING FOREIGN INVESTMENT FOR THE PRODUCTION OF A PRODUCT NOT ASSIGNED TO IT. A FURTHER RESTRICTION HAS NOW BEEN ADOPTED WHICH PROHIBITS A MEMBER COUNTRY FROM APPLYING FOREIGN TECHNOLOGY TO SUCH A PROJECT.

C. THE SYSTEM OF SAFEGUARDING EQUITABLE MARKET SHARE FOR COPRODUCERS (TWO OR MORE COUNTRIES ASSIGNED THE SAME PRODUCT) HAS BEEN CHANGED. AS NOW PROPOSED, ANTI-DUMPING MEASURES ESTABLISHED IN DECISION 45 WOULD BE PRINCIPAL REGULATORY MECHANISM. BOLIVIAN AND ECUADOREAN PRODUCERS WILL BE GIVEN SPECIAL ADVANTAGES, BUT PROPOSAL STATES THAT INTEREST OF CONSUMERS WILL BE TAKEN INTO CONSIDERATION.

D. ON FOLLOWING CONDITIONS, AMONG OTHERS, AUTHORIZATION CAN BE GRANTED TO COUNTRIES TO INSTALL PLANTS FOR PRODUCTS NOT ASSIGNED TO THEM: THE WHOLE OUTPUT TO BE EXPORTED OUTSIDE ANDEAN PACT REGION; ANDEAN RAW MATERIALS TO BE USED; NO PREJUDICE TO BE CAUSED TO OTHER MEMBERS; SALES WITHIN ANDEAN PACT REGION TO BE AUTHORIZED BY JUNTA AND BE SUBJECT TO FULL COMMON EXTERNAL TARIFF; SALES TAX EQUIVALENT TO COMMON EXTERNAL TARIFF TO BE LEVIED ON SALES WITHIN THE COUNTRY, IF AUTHORIZED BY JUNTA.

4. THE REVISED PETROCHEMICAL INDUSTRY JUNTA PROPOSAL UNCLASSIFIED

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HAS NOT BEEN MADE PUBLIC AND WILL PROBABLY HAVE ADDITIONAL MODIFICATIONS. SOME MINOR PROBLEMS REMAIN TO BE IRONED OUT, SUCH AS CONTROVERSY BETWEEN COLOMBIA AND VENEZUELA REGARDING DMT, THE PRINCIPAL RAW MATERIAL FOR POLYESTER FIBERS.

5. COMMENT: UNCERTAINTY OVER THE PROGRAM PROPOSAL HAS HELD UP SOME INVESTMENT DECISIONS IN THE PETROCHEMICAL

SECTOR. CONSIDERING THE TIME NEEDED FOR FEASIBILITY STUDIES (THE PROPOSAL ALLOWS 30 MONTHS FOR THESE) THE COUNTRIES PROBABLY FEEL THAT NEEDED ADJUSTMENTS COULD BE MADE AT A LATER TIME. MANY OF THE ASSIGNED PLANTS MAY NOT PROVE FEASIBLE OR MAY NOT BE CARRIED THROUGH. IN ANY CASE, THE PROGRESS MADE IN JOINT PLANNING IN THE PETROCHEMICAL INDUSTRY CONSTITUTES AN IMPORTANT ADVANCE IN ANDEAN INTEGRATION. END COMMENT

6. IN AN UNRELATED DEVELOPMENT, AT THE REQUEST OF CHILE, AN EXTRAORDINARY COMMISSION MEETING WILL BE HELD JUNE 4-6 TO CONSIDER AUTHORIZATION FOR THAT COUNTRY TO SELL SHARES HELD BY CORFO IN A WIDE VARIETY OF CHILEAN FIRMS. UNDER ART. 3 OF DECISION 24 SHARES IN NATIONAL FIRMS MUST FIRST BE OFFERED TO NATIONAL AND ANDEAN INVESTORS BEFORE SALE TO OTHER FOREIGN INVESTORS CAN BE AUTHORIZED.

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